GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:1895
ANSWERED ON:29.11.2007
COMPETITIVE BIDDING FORMULA /MECHANISM
Jagannath Dr. M.

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Government has recently permitted 'Competitive Bidding' formula/mechanism for sale of natural gas in respect of gas produced by private companies;

(b) if so, the rationale for such decision in the light of monopoly status of gas producers like Reliance;

(c) whether the policy of competitive bidding for fixing price will deprive gas basin States like Andhra Pradesh which are dependent on Administrative Price Mechanism (APM) gas; and

(d) if so, the steps taken/being taken by the Government to fix a reasonable and affordable price for natural gas around APM rates?

Answer

MINISTER OF PETROLEUM AND NATURAL GAS(SHRI MURLI DEORA)

(a)to(d): Government constituted an Empowered Group of Ministers (EGoM) headed by Minister of External Affairs to consider and decide issues of gas pricing and commercial utilization of gas under NELP. EGoM has decided the issue of pricing of gas under NELP after considering all relevant material.
In terms of the provisions of Production Sharing Contract (PSC) signed under the NELP regime, the Government does not fix the price of gas. The Government is required to approve the formula/basis on which the prices shall be determined for purpose of valuation of Government take prior to sale of natural gas by the contractor.
Further, contractors have the freedom to sell gas in the domestic market at arms length prices to the benefit of parties to the contract.